

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF MILLINGTON

Tuscola County, Michigan

FINANCIAL STATEMENTS

February 29, 2008

VILLAGE OF MILLINGTON

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Millington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, on our consideration of the Village of Millington's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules and schedule of pension plan funding progress as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Millington's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

May 15, 2008

BASIC FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

STATEMENT OF NET ASSETS

February 29, 2008

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Downtown Development Authority</i>
Assets:				
Cash and cash equivalents	\$ 468,150	\$ 74,331	\$ 542,481	\$ 3,020
Receivables	100,157	111,435	211,592	84,811
Inventory	-	13,700	13,700	-
Restricted cash and cash equivalents	-	165,376	165,376	-
Capital assets:				
Nondepreciable capital assets	11,500	15,584	27,084	-
Depreciable capital assets, net	1,128,284	3,427,761	4,556,045	-
Other	-	34,204	34,204	-
Total assets	<u>1,708,091</u>	<u>3,842,391</u>	<u>5,550,482</u>	<u>87,831</u>
Liabilities:				
Accounts payable and accrued expenses	74,207	114,642	188,849	4,792
Long-term liabilities:				
Due within one year	3,000	78,000	81,000	28,751
Due in more than one year	<u>225,259</u>	<u>1,669,607</u>	<u>1,894,866</u>	<u>281,199</u>
Total liabilities	<u>302,466</u>	<u>1,862,249</u>	<u>2,164,715</u>	<u>314,742</u>
Net assets:				
Invested in capital assets, net of related debt	1,102,284	1,695,738	2,798,022	-
Restricted for:				
Debt service	-	108,327	108,327	-
Repair, replacement, and improvements	-	57,049	57,049	-
Streets	223,407	-	223,407	-
Unrestricted net assets (deficit)	<u>79,934</u>	<u>119,028</u>	<u>198,962</u>	<u>(226,911)</u>
Total net assets	<u>\$ 1,405,625</u>	<u>\$ 1,980,142</u>	<u>\$ 3,385,767</u>	<u>\$ (226,911)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 110,773	\$ 22,410	\$ -	\$ -	\$ (88,363)
Public safety	93,183	-	1,235	-	(91,948)
Public works	1,007,719	64,152	205,361	335,732	(402,474)
Community and economic development	-	845	-	-	845
Recreation and culture	7,100	-	-	-	(7,100)
Interest on long-term debt	1,888	-	-	-	(1,888)
Total governmental activities	<u>1,220,663</u>	<u>87,407</u>	<u>206,596</u>	<u>335,732</u>	<u>(590,928)</u>
<i>Business-type activities:</i>					
Sewer	169,475	120,967	-	-	(48,508)
Water	209,826	247,309	-	433,036	470,519
Industrial development	8,062	-	-	-	(8,062)
Total business-type activities	<u>387,363</u>	<u>368,276</u>	<u>-</u>	<u>433,036</u>	<u>413,949</u>
Total primary government	<u>\$ 1,608,026</u>	<u>\$ 455,683</u>	<u>\$ 206,596</u>	<u>\$ 768,768</u>	<u>\$ (176,979)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 45,905</u>	<u>\$ -</u>	<u>\$ 3,464</u>	<u>\$ -</u>	<u>\$ (42,441)</u>
Total component units	<u>\$ 45,905</u>	<u>\$ -</u>	<u>\$ 3,464</u>	<u>\$ -</u>	<u>\$ (42,441)</u>

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Downtown Development Authority</i>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (590,928)	\$ 413,949	\$ (176,979)	\$ (42,441)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	265,031	-	265,031	-
Property taxes captured by component unit	-	-	-	84,811
Grants and contributions not restricted to specific programs	117,100	-	117,100	-
Unrestricted investment earnings	11,607	7,894	19,501	-
Total general revenues, contributions and special items	393,738	7,894	401,632	84,811
Change in net assets	(197,190)	421,843	224,653	42,370
Net assets (deficit), beginning of year	1,602,815	1,558,299	3,161,114	(269,281)
Net assets (deficit), end of year	\$ 1,405,625	\$ 1,980,142	\$ 3,385,767	\$ (226,911)

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2008

	<i>General Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and cash equivalents	\$ 205,386	\$ 110,060	\$ 124,412	\$ 439,858
Accounts receivable	-	-	9,263	9,263
Due from other governmental units	<u>38,357</u>	<u>26,232</u>	<u>26,305</u>	<u>90,894</u>
Total assets	<u><u>\$ 243,743</u></u>	<u><u>\$ 136,292</u></u>	<u><u>\$ 159,980</u></u>	<u><u>\$ 540,015</u></u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 7,851	\$ -	\$ 3,630	\$ 11,481
Due to component unit	<u>50,966</u>	<u>-</u>	<u>10,347</u>	<u>61,313</u>
Total liabilities	<u>58,817</u>	<u>-</u>	<u>13,977</u>	<u>72,794</u>
Fund balances:				
Unreserved:				
General fund	184,926	-	-	184,926
Special revenue funds	<u>-</u>	<u>136,292</u>	<u>146,003</u>	<u>282,295</u>
Total fund balances	<u>184,926</u>	<u>136,292</u>	<u>146,003</u>	<u>467,221</u>
Total liabilities and fund balances	<u><u>\$ 243,743</u></u>	<u><u>\$ 136,292</u></u>	<u><u>\$ 159,980</u></u>	<u><u>\$ 540,015</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 29, 2008

Total fund balances for governmental funds \$ 467,221

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,077,806	
Less accumulated depreciation	<u>(91,019)</u>	986,787

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Loans payable	(190,759)
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The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

<u>142,376</u>

Net assets of governmental activities \$ 1,405,625

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

	<i>General Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Property taxes	\$ 223,595	\$ -	\$ 44,698	\$ 268,293
Federal grants	-	335,732	-	335,732
State grants	118,335	105,444	66,958	290,737
Contributions from other units	10,000	21,954	11,005	42,959
Charges for services	1,665	-	64,152	65,817
Interest and rents	5,457	5,497	2,520	13,474
Other revenue	5,928	-	-	5,928
Total revenues	364,980	468,627	189,333	1,022,940
Expenditures:				
Current				
General government	110,531	-	-	110,531
Public safety	91,326	-	-	91,326
Public works	89,284	778,450	110,583	978,317
Recreation and culture	7,100	-	-	7,100
Total expenditures	298,241	778,450	110,583	1,187,274
Excess (deficiency) of revenues over expenditures	66,739	(309,823)	78,750	(164,334)
Other financing sources (uses):				
Proceeds from loan	-	190,759	-	190,759
Transfers in	4,380	-	-	4,380
Transfers out	-	-	(4,380)	(4,380)
Total other financing sources (uses)	4,380	190,759	(4,380)	190,759
Net change in fund balances	71,119	(119,064)	74,370	26,425
Fund balances, beginning of year	113,807	255,356	71,633	440,796
Fund balances, end of year	\$ 184,926	\$ 136,292	\$ 146,003	\$ 467,221

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 29, 2008

Net change in fund balances - total governmental funds \$ 26,425

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	<u>(23,775)</u>	(23,775)

Loan proceeds are revenue in the governmental funds, but the proceeds
increase long-term liabilities in the statement of net assets. (190,759)

The net revenue (expense) of the internal service fund is reported with
governmental activities. (9,081)

Change in net assets of governmental activities \$ (197,190)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

February 29, 2008

	Business-type Activities				Governmental
	Enterprise funds				Activities
	Major		Non-Major		
	Sewer Fund	Water Fund	Industrial Development Fund	Total Enterprise Funds	Internal Service Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 27,100	\$ 37,618	\$ 9,613	\$ 74,331	\$ 28,292
Accounts receivable	19,154	27,974	-	47,128	-
Due from other governmental units	-	64,307	-	64,307	-
Inventory	2,390	11,310	-	13,700	-
Total current assets	48,644	141,209	9,613	199,466	28,292
Noncurrent assets:					
Restricted cash and cash equivalents	-	165,376	-	165,376	-
Capital assets:					
Nondepreciable capital assets	-	-	15,584	15,584	-
Depreciable capital assets, net	1,340,315	2,087,446	-	3,427,761	152,997
Deferred charges	34,204	-	-	34,204	-
Total noncurrent assets	1,374,519	2,252,822	15,584	3,642,925	152,997
Total assets	1,423,163	2,394,031	25,197	3,842,391	181,289
Liabilities:					
Current liabilities:					
Accounts payable	3,792	73,700	-	77,492	968
Accrued expenses	10,117	27,033	-	37,150	445
Current long-term debt	15,000	63,000	-	78,000	3,000
Total current liabilities	28,909	163,733	-	192,642	4,413
Noncurrent liabilities:					
Long-term debt	340,000	1,329,607	-	1,669,607	34,500
Total noncurrent liabilities	340,000	1,329,607	-	1,669,607	34,500
Total liabilities	368,909	1,493,340	-	1,862,249	38,913
Net assets:					
Invested in capital assets, net of related debt	985,315	694,839	15,584	1,695,738	115,497
Restricted for:					
Debt service	-	108,327	-	108,327	-
Replacement of capital assets	-	57,049	-	57,049	-
Unrestricted	68,939	40,476	9,613	119,028	26,879
Total net assets	\$ 1,054,254	\$ 900,691	\$ 25,197	\$ 1,980,142	\$ 142,376

The accompanying notes are an integral part of these financial statements

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 29, 2008

	<i>Business-type Activities</i> <i>Enterprise funds</i>			<i>Governmental</i> <i>Activities</i>
	<i>Major</i>	<i>Non-Major</i>	<i>Total</i>	<i>Internal</i>
	<i>Sewer</i>	<i>Water</i>	<i>Industrial</i>	<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Development</i>	<i>Funds</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>
Operating revenues:				
Charges for services	\$ 119,112	\$ 216,672	\$ -	\$ 335,784
Penalties	1,855	7,589	-	9,444
Equipment rental	-	-	-	-
				56,962
Total operating revenues	120,967	224,261	-	345,228
				56,962
Operating expenses:				
Personnel	40,342	46,376	-	86,718
Fringe benefits	16,703	17,156	-	33,859
Supplies	5,421	16,930	-	22,351
Contracted services	8,091	11,213	8,062	27,366
Telephone	-	240	-	240
Mileage	-	-	-	-
Dues and membership fees	-	471	-	471
Education and training	-	240	-	240
Printing and publishing	132	132	-	264
Insurance	705	1,032	-	1,737
Utilities	3,476	7,545	-	11,021
Repairs and maintenance	-	-	-	-
				13,481
Equipment rental	9,863	7,060	-	16,923
Other services and supplies	-	580	-	580
Depreciation	44,090	44,128	-	88,218
				28,620
Total operating expenses	128,823	153,103	8,062	289,988
				64,688
Operating income (loss)	(7,856)	71,158	(8,062)	55,240
				(7,726)

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, continued

Year Ended February 29, 2008

	<i>Business-type Activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>Activities</i>
	<i>Major</i>	<i>Non-Major</i>		
	<i>Sewer</i>	<i>Water</i>	<i>Industrial</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	<i>Development</i>	<i>Enterprise</i>
			<i>Fund</i>	<i>Funds</i>
				<i>Internal</i>
				<i>Service</i>
				<i>Funds</i>
Non-operating revenues (expenses);				
Federal grants	-	433,036	-	433,036
Interest income	1,879	5,593	422	7,894
Rental income	-	23,048	-	23,048
Amortization of Deferred				
Finance Costs	(2,932)	-	-	(2,932)
Interest expense	(37,720)	(56,723)	-	(94,443)
Total non-operating revenues				
(expenses)	(38,773)	404,954	422	366,603
Net income (loss)	(46,629)	476,112	(7,640)	421,843
Net assets, beginning of year	1,100,883	424,579	32,837	1,558,299
Net assets, end of year	<u>\$ 1,054,254</u>	<u>\$ 900,691</u>	<u>\$ 25,197</u>	<u>\$ 1,980,142</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 29, 2008

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Enterprise funds</i>				
	<i>Major</i>	<i>Non-Major</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Industrial</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Development</i>	<i>Enterprise</i>	<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
Cash flow from operating activities:					
Cash received from customers	\$118,030	\$159,935	\$ -	\$ 277,965	\$ 117
Cash received for interfund services	-	-	-	-	56,962
services	(40,342)	(46,376)	-	(86,718)	(3,249)
Cash payments to employees	(40,342)	(46,376)	-	(86,718)	(3,249)
Cash payments to suppliers for					
goods and services	<u>(37,574)</u>	<u>9,257</u>	<u>(8,062)</u>	<u>(36,379)</u>	<u>(33,158)</u>
Net cash provided (used) by					
operating activities	<u>40,114</u>	<u>122,816</u>	<u>(8,062)</u>	<u>154,868</u>	<u>20,672</u>
Cash flows from capital and related					
financing activities:					
Federal grants	-	433,036	-	433,036	-
Acquisition and construction of					
capital assets	-	(709,190)	-	(709,190)	(2,450)
Proceeds from the sale of assets	-	-	-	-	-
Proceeds from issuance of bonds	-	268,607	-	268,607	-
Principal payments	(220,000)	(42,000)	-	(262,000)	(3,000)
Interest paid	<u>(37,720)</u>	<u>(56,723)</u>	<u>-</u>	<u>(94,443)</u>	<u>(1,888)</u>
Net cash used by capital and related					
financing activities	<u>(257,720)</u>	<u>(106,270)</u>	<u>-</u>	<u>(363,990)</u>	<u>(7,338)</u>

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, continued

Year Ended February 29, 2008

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Enterprise funds</i>				
	<i>Major</i>		<i>Non-Major</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Industrial Development Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash flows from investing activities:					
Interest received	1,879	5,593	422	7,894	533
Rent received	-	23,048	-	23,048	-
Net cash provided by investing activities	1,879	28,641	422	30,942	533
Net increase (decrease) in cash and cash equivalents	(215,727)	45,187	(7,640)	(178,180)	13,867
Cash and cash equivalents, beginning of year	242,827	157,807	17,253	417,887	14,425
Cash and cash equivalents, end of year	\$ 27,100	\$202,994	\$ 9,613	\$ 239,707	\$ 28,292
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (7,856)	\$ 71,158	\$ (8,062)	\$ 55,240	\$ (7,726)
Adjustments:					
Depreciation	44,090	44,128	-	88,218	28,620
Change in assets and liabilities:					
Accounts receivable	(2,937)	(19)	-	(2,956)	-
Due from other governmental units	-	(64,307)	-	(64,307)	-
Due from other funds	-	-	-	-	-
Inventory	(275)	506	-	231	-
Accounts payable and accrued expenses	7,092	71,350	-	78,442	(222)
Net cash provided (used) by operating activities	\$ 40,114	\$122,816	\$ (8,062)	\$ 154,868	\$ 20,672

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Joint Operation:

Southern Links Trailway Management Council - The Villages of Millington, Otter Lake, and Columbiaville as well as the Townships of Millington, Marathon, and Forest, jointly established the Council for the purpose of operating and maintaining the Southern Links Trailway. Each member unit appoints two representatives to serve on the administrative board of the Council.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture	5-10 years
Equipment	5-25 years
Infrastructure	5-50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2007 taxable valuation of the Village totaled \$23,142,778, on which ad valorem taxes levied consisted of 14.0888 mills for the Village’s operating purposes, of which 2.3775 mills was allocated to village utility improvements.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 3: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$1,004,398 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$465,376 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

Water Fund Reserves:

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

Receiving Account – All receipts are initially deposited into this account.

Operation and Maintenance Account – Transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

Water Bond Reserve Account – Annually \$6,583.50 is to be transferred to this account until \$65,385 is accumulated.

Repair, Replacement, and Improvement Fund – Annually \$10,450 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$17,033.50 are to be deposited for the life of the loan.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

At February 29, 2008 the Village had these accounts established and had restricted cash as follows:

	REQUIREMENTS			Amount Funded
	February 28, 2007	Additions (Reductions)	February 29, 2008	Restricted Cash Balance
Bond and interest redemption fund	\$ 32,268	\$ 215	\$ 32,483	\$ 51,158
Bond reserve account	32,918	6,584	39,502	44,075
Repair, replacement and improvement fund	52,250	10,450	62,700	70,143
	<u>\$ 117,436</u>	<u>\$ 17,249</u>	<u>\$ 134,685</u>	<u>\$ 165,376</u>

NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended February 29, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Depreciable capital assets:				
Land improvements	680,169	-	-	680,169
Buildings and improvements	333,242	-	-	333,242
Furniture and fixtures	17,140	-	-	17,140
Equipment	438,601	2,450	-	441,051
Vehicles	167,594	-	-	167,594
Total depreciable capital assets	1,636,746	2,450	-	1,639,196
Accumulated depreciation	(458,515)	(52,397)	-	(510,912)
Depreciable capital assets, net	1,178,231	(49,947)	-	1,128,284
Governmental activities, capital assets, net	<u>\$ 1,189,731</u>	<u>\$ (49,947)</u>	<u>\$ -</u>	<u>\$ 1,139,784</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets				
Equipment	10,682	-	-	10,682
Vehicles	21,280	-	-	21,280
Distribution system	<u>3,977,137</u>	<u>709,190</u>	<u>-</u>	<u>4,686,327</u>
Total capital depreciable assets	4,009,099	709,190	-	4,718,289
Accumulated depreciation	<u>(1,202,310)</u>	<u>(88,218)</u>	<u>-</u>	<u>(1,290,528)</u>
Depreciable capital assets, net	<u>2,806,789</u>	<u>620,972</u>	<u>-</u>	<u>3,427,761</u>
Business-type activities, capital assets, net	<u>\$ 2,806,789</u>	<u>\$ 620,972</u>	<u>\$ -</u>	<u>\$ 3,427,761</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 8,746
Public safety	2,746
Public works	<u>40,905</u>
Total governmental activities	<u>\$ 52,397</u>
Business-type activities:	
Sewer	\$ 44,090
Water	<u>44,128</u>
Total business-type activities	<u>\$ 88,218</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 6: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 29, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>
<u>Governmental Activities</u>				
<i>Installment Purchase Contract:</i>				
2001 Issue - Dump Truck Loan				
Serial Current Interest Loan	12/1/06-12/1/16	4.75%	\$3,000-5,000	\$ 55,500
<i>Loan Payable:</i>				
2007 Issue - Road Improvement Loan	9/30/2009	4.00%	\$0-206,294	\$ 206,294
As of February 29, 2008 the Village had only drawn down \$190,759 of the available loan.				
<u>Business-type Activities</u>				
<i>Revenue Bonds:</i>				
1988 Issue - Water Revenue Refunding Bonds				
Serial Current Interest Bonds	10/1/06-10/1/08	8.10-8.40%	30,000	265,000
2002 Issue - Water Revenue Bonds				
Serial Current Interest Bonds	9/1/06-9/1/42	4.5%	12,000-62,000	1,150,000
<i>General Obligation Bonds:</i>				
2005 Issue - Sewer General Obligation Bonds				
Serial Current Interest Bonds	4/1/07-4/1/25	3.50-4.55%	10,000-20,000	290,000
2007 Issue - Water Capital Improvement Bonds				
Serial Current Interest Bonds	2/1/09-2/1/28	2.125%	20,000-30,000	500,000
As of February 29, 2008 the Village had only drawn down \$268,607 of the available bonds.				
<i>Contracts Payable:</i>				
2005 Issue - Sewer Treatment Facility Project	10/1/07-10/1/25	4.50-4.75%	5,000-25,000	300,000
<u>Component Unit</u>				
<i>General Obligation Bonds:</i>				
2004 Issue - Downtown Development Limited				
Tax Bonds				
Serial Current Interest Bonds	12/1/06-12/1/23	4.00-4.90%	5,000-20,000	250,000
<i>Loan Payable:</i>				
2006 Issue - Streetscape Project	11/27/07-11/27/11	4.25%	17,995-21,254	97,945

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

The following is a summary of long-term liabilities transactions for the year ended February 29, 2008:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
Installment Purchase Contract					
2001 Issue	\$ 40,500	\$ -	\$ (3,000)	\$ 37,500	\$ 3,000
Loan Payable					
2007 Issue	<u>-</u>	<u>190,759</u>	<u>-</u>	<u>190,759</u>	<u>-</u>
Total governmental activities					
- long-term liabilities	<u>\$ 40,500</u>	<u>\$ 190,759</u>	<u>\$ (3,000)</u>	<u>\$ 228,259</u>	<u>\$ 3,000</u>
Business-type activities:					
Revenue Bonds:					
1988 Issue	\$ 60,000	\$ -	\$ (30,000)	\$ 30,000	\$ 30,000
2002 Issue	1,106,000	-	(12,000)	1,094,000	13,000
General Obligation Bonds:					
2005 Issue	280,000	-	(10,000)	270,000	10,000
2007 Issue	-	268,607	-	268,607	20,000
Contract Payable:					
2005 Issue	<u>295,000</u>	<u>-</u>	<u>(210,000)</u>	<u>85,000</u>	<u>5,000</u>
Total business-type activities					
- long-term liabilities	<u>\$ 1,741,000</u>	<u>\$ 268,607</u>	<u>\$ (262,000)</u>	<u>\$ 1,747,607</u>	<u>\$ 78,000</u>
Component units:					
General Obligation Bonds:					
2004 Issue	\$ 235,000	\$ -	\$ (5,000)	\$ 230,000	\$ 10,000
Loan payable					
2006 Issue	<u>97,945</u>	<u>-</u>	<u>(17,995)</u>	<u>79,950</u>	<u>18,751</u>
Total component units	<u>\$ 332,945</u>	<u>\$ -</u>	<u>\$ (22,995)</u>	<u>\$ 309,950</u>	<u>\$ 28,751</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended</i> <i>February 28,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 3,000	\$ 6,171	\$ 9,171	\$ 78,000	\$ 79,774	\$ 157,774
2010	194,759	4,199	198,958	48,000	75,636	123,636
2011	4,000	1,449	5,449	54,000	74,018	128,018
2012	4,000	1,259	5,259	55,000	72,129	127,129
2013	22,500	3,350	25,850	55,000	70,190	125,190
2014-2018	-	-	-	329,000	317,075	646,075
2019-2023	-	-	-	325,000	259,844	584,844
2024-2028	-	-	-	351,000	196,745	547,745
2029-2033	-	-	-	177,000	146,444	323,444
2034-2038	-	-	-	225,000	99,988	324,988
2039-2043	-	-	-	282,000	41,470	323,470
	228,259	16,428	244,687	1,979,000	1,433,313	3,412,313
Less: amount not drawn down yet	-	-	-	(231,393)	-	(231,393)
	<u>\$ 456,518</u>	<u>\$ 32,856</u>	<u>\$ 489,374</u>	<u>\$ 1,747,607</u>	<u>\$ 1,433,313</u>	<u>\$ 3,180,920</u>

<i>Year Ended</i> <i>February 28,</i>	<i>Component Unit</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 28,751	\$ 13,667	\$ 42,418
2010	29,557	12,461	42,018
2011	30,388	11,230	41,618
2012	31,254	9,963	41,217
2013	10,000	8,660	18,660
2014-2018	65,000	36,470	101,470
2018-2022	95,000	18,982	113,982
2023-2025	20,000	980	20,980
	<u>\$ 309,950</u>	<u>\$ 112,413</u>	<u>\$ 422,363</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Component Unit</u></i>
Receivables:			
Accounts	\$ 9,263	\$ 47,128	\$ -
Intergovernmental	<u>90,894</u>	<u>64,307</u>	<u>84,811</u>
Total receivables	<u><u>\$ 100,157</u></u>	<u><u>\$ 111,435</u></u>	<u><u>\$ 84,811</u></u>
Accounts payable and accrued expenses:			
Accounts	\$ 12,449	\$ 77,492	\$ -
Interest	445	37,150	2,565
Intergovernmental	<u>61,313</u>	<u>-</u>	<u>2,227</u>
Total accounts payable and accrued expenses	<u><u>\$ 74,207</u></u>	<u><u>\$ 114,642</u></u>	<u><u>\$ 4,792</u></u>

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased insurance through the Michigan Municipal Employees' Retirement System (MERS) for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Municipal Liability and Property Pool are self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 3% for General and DPW employees and 7.2% for Police. The Village of Millington is required to contribute at actuarially determined rates; the current rates ranged from 1.12 to 4.92 percent of eligible payroll based on the December 31, 2005 valuation.

Annual Pension Costs – For year ended February 29, 2008, the Village's annual pension cost of \$ 4,419 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of the last day of February follows:

	<u>2,008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 4,419	\$ 8,539	\$ 10,761
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 10: COMPONENT UNIT REPORTING

A Balance Sheet as of February 29, 2008, Reconciliation of Fund Balance to Net Assets, Statement of Revenues, Expenditures, and Changes in Fund balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Net Assets for the year then ended for Downtown Development Authority follows:

BALANCE SHEET

Assets:

Cash and cash equivalents	\$ 3,020
Due from other governmental units	<u>84,811</u>
Total assets	<u>\$ 87,831</u>

Liabilities and Fund Balances:

Liabilities:

Accrued expenses	\$ 2,565
Due to other governmental units	<u>2,227</u>
Total liabilities	<u>4,792</u>

Fund Balances:

Unreserved	<u>83,039</u>
Total fund balances	<u>83,039</u>
Total liabilities and fund balances	<u>\$ 87,831</u>

RECONCILIATION OF FUND BALANCE TO NET ASSETS:

Fund balance for the governmental fund	\$ 83,039
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	<u>(309,950)</u>
Net assets (deficit)	<u>\$ (226,911)</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 29, 2008

NOTE 10: COMPONENT UNIT REPORTING, continued

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues:

Property taxes	\$ 84,811
Other revenue	<u>3,464</u>
Total revenues	<u>88,275</u>

Expenditures:

Current	
Community and economic development	31,220
Debt service	
Principal	22,995
Interest and fees	<u>14,685</u>
Total expenditures	<u>68,900</u>
Excess (deficiency) of revenues over expenditures	19,375
Fund balances (deficit), beginning of year	<u>63,664</u>
Fund balances, end of year	<u>\$ 83,039</u>

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS

Net change in fund balance -governmental fund	\$ 19,375
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.	<u>22,995</u>
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Change in net assets of governmental activities	<u>\$ 42,370</u>
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REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 216,020	\$ 222,772	\$ 223,595	\$ 823
Licenses and permits	100	100	-	(100)
State grants	119,818	120,318	118,335	(1,983)
Contributions from other units	7,771	10,000	10,000	-
Charges for services	2,620	2,620	1,665	(955)
Interest and rents	6,400	6,400	5,457	(943)
Other revenue	5,000	6,960	5,928	(1,032)
Total revenues	357,729	369,170	364,980	(4,190)
Expenditures:				
Current				
General government	254,159	260,448	110,531	(149,917)
Public safety	99,308	101,478	91,326	(10,152)
Public works	198,138	213,757	89,284	(124,473)
Recreation	6,900	7,100	7,100	-
Total expenditures	558,505	582,783	298,241	(284,542)
Excess (deficiency) of revenues over expenditures	(200,776)	(213,613)	66,739	280,352
Other financing sources (uses):				
Transfers in	-	-	4,380	4,380
Net change in fund balance	(200,776)	(213,613)	71,119	284,732
Fund balance, beginning of year	113,807	113,807	113,807	-
Fund balance, end of year	\$ (86,969)	\$ (99,806)	\$ 184,926	\$ 284,732

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Federal grants	\$ 595,933	\$ 595,933	\$ 335,732	\$ (260,201)
State grants	24,500	24,500	105,444	80,944
Contributions from other units	19,580	20,911	21,954	1,043
Interest and rents	4,500	5,500	5,497	(3)
Total revenues	644,563	646,894	468,627	(178,217)
Expenditures:				
Current				
Public works	908,588	925,097	778,450	(146,647)
Total expenditures	908,588	925,097	778,450	(146,647)
Excess (deficiency) of revenues over expenditures	(264,025)	(278,203)	(309,823)	(31,570)
Other financing sources:				
Proceeds from bond	206,000	206,000	190,759	(15,241)
Net change in fund balance	(58,025)	(72,203)	(119,064)	(46,811)
Fund balance, beginning of year	255,356	255,356	255,356	-
Fund balance, end of year	\$ 197,331	\$ 183,153	\$ 136,292	\$ (46,811)

VILLAGE OF MILLINGTON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

February 29, 2008

The schedule of funding progress is as follows:

<i>Actuarial Valuation Date</i>	<i>12/31/06</i>	<i>12/31/05</i>	<i>12/31/04</i>
Actuarial Value of Assets	\$ 1,127,381	\$ 1,065,320	\$ 1,011,339
Actuarial Accrued Liability (AAL)	1,158,654	1,043,209	1,034,136
Unfunded AAL (UAAL)	31,273	(22,111)	22,797
Funded Ratio	97%	102%	98%
Covered Payroll	171,120	158,755	186,840
UAAL as a percentage of covered payroll	18%	-14%	12%

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 29, 2008

Current Taxes:

Property taxes	\$ 220,191
Penalties and interest on taxes	142
Administration fees	3,262
	<u>223,595</u>

State Grants:

Liquor license fees	1,235
State revenue sharing - sales tax	117,100
	<u>118,335</u>

Contribution from other units:

Contribution from Downtown Development Authority - Administrative Charges	10,000
	<u>10,000</u>

Charges for services:

Zoning/Variance/Appeals fees	845
Other	820
	<u>1,665</u>

Interest and rents:

Interest	3,057
Rents	2,400
	<u>5,457</u>

Other Revenue:

Reimbursements	3,405
Other	2,523
	<u>5,928</u>

Total revenues	<u>\$ 364,980</u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 29, 2008

General Government:

Village Council:

Personnel	\$ 10,380
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Accounting/Finance:

Personnel	36,428
Fringe benefits	17,256
Supplies	5,711
Contracted services	859
Telephone	2,487
Mileage	1,366
Dues and memberships	1,269
Education and training	200
Printing and publications	533
Insurance	3,748
Utilities	2,257
Other	335
	<u>72,449</u>

Audit:

Contracted services	2,475
	<u>2,475</u>

Hall and Grounds:

Personnel	1,660
Fringe benefits	185
Supplies	1,258
Contracted services	435
Insurance	312
Utilities	10,000
Repairs and maintenance	2,018
Other	695
	<u>16,563</u>

Attorney:

Contracted services	8,664
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Total general government	<u>110,531</u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 29, 2008

Public Safety:

Police:

Personnel	57,093
Fringe benefits	23,119
Supplies	3,439
Contracted services	1,384
Telephone	1,090
Insurance	4,091
Utilities	1,110
	<hr/>
Total public safety	91,326

Public Works:

Department of Public Works:

Personnel	44,409
Fringe benefits	13,379
Supplies	3,352
Contracted services	181
Telephone	1,599
Mileage	31
Insurance	3,405
Utilities	4,092
Equipment rental	7,688
	<hr/>
	78,136

Street Lights:

Utilities	11,148
	<hr/>
Total public works	89,284

Recreation:

Parks and Recreation:

Contracted services	7,100
	<hr/>
Total recreation	7,100
	<hr/>
Total expenditures	\$ 298,241

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 29, 2008

	<u>Special Revenue Funds</u>			<i>Total</i>
	<i>Major Street Fund</i>	<i>Village Utility Fund</i>	<i>Garbage Collection Fund</i>	<i>Nonmajor Governmental Funds</i>
Assets:				
Cash and cash equivalents	\$ 60,810	\$ 58,454	\$ 5,148	\$ 124,412
Accounts receivable	-	-	9,263	9,263
Due from other governmental units	26,305	-	-	26,305
Total assets	<u>\$ 87,115</u>	<u>\$ 58,454</u>	<u>\$ 14,411</u>	<u>\$ 159,980</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3,630	\$ 3,630
Due to component unit	-	10,347	-	10,347
Total liabilities	<u>-</u>	<u>10,347</u>	<u>3,630</u>	<u>13,977</u>
Fund balances:				
Unreserved:				
Special revenue funds	<u>87,115</u>	<u>48,107</u>	<u>10,781</u>	<u>146,003</u>
Total fund balances	<u>87,115</u>	<u>48,107</u>	<u>10,781</u>	<u>146,003</u>
Total liabilities and fund balances	<u>\$ 87,115</u>	<u>\$ 58,454</u>	<u>\$ 14,411</u>	<u>\$ 159,980</u>

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

	<i>Special Revenue Funds</i>			<i>Total Nonmajor Governmental Funds</i>
	<i>Major Street Fund</i>	<i>Village Utility Fund</i>	<i>Garbage Collection Fund</i>	
Revenues:				
Property taxes	\$ -	\$ 44,698	\$ -	\$ 44,698
State grants	66,958	-	-	66,958
Contributions from other units	11,005	-	-	11,005
Charges for services	-	-	64,152	64,152
Interest and rents	1,410	778	332	2,520
Total revenues	79,373	45,476	64,484	189,333
Expenditures:				
Current				
Public works	46,035	-	64,548	110,583
Total expenditures	46,035	-	64,548	110,583
Excess (deficiency) of revenues over expenditures	33,338	45,476	(64)	78,750
Other financing sources (uses):				
Transfers out	-	(4,380)	-	(4,380)
Net change in fund balance	33,338	41,096	(64)	74,370
Fund balances, beginning of year	53,777	7,011	10,845	71,633
Fund balances, end of year	\$ 87,115	\$ 48,107	\$ 10,781	\$ 146,003

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2005 CONTRACT PAYABLE - SANITARY SEWER TREATMENT FACILITY

Issue dated 11/01/05 in the amount of \$ 300,000

Less: Principal paid in prior years (5,000)
Principal paid in current year (210,000)

Balance payable at February 29, 2008 \$ 85,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	
2009	4.50%	\$ 1,913	\$ 1,912	\$ 5,000	\$ 8,825
2010	4.50%	1,800	1,800	5,000	8,600
2011	4.50%	1,687	1,688	10,000	13,375
2012	4.50%	1,463	1,462	10,000	12,925
2013	4.50%	1,237	1,238	10,000	12,475
2014	4.50%	1,013	1,012	10,000	12,025
2015	4.50%	787	788	15,000	16,575
2016	4.50%	450	450	15,000	15,900
2017	4.50%	<u>113</u>	<u>112</u>	<u>5,000</u>	<u>5,225</u>
		<u>\$ 10,463</u>	<u>\$ 10,462</u>	<u>\$ 85,000</u>	<u>\$ 105,925</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2005 SEWER IMPROVEMENT BONDS

Issue dated 1/20/05 in the amount of \$ 290,000

Less: Principal paid in prior years (10,000)
Principal paid in current year (10,000)

Balance payable at February 29, 2008 \$ 270,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>4/1</u>	
2009	3.500%	\$ 5,507	\$ 5,331	\$ 10,000	\$ 20,838
2010	3.50%	5,332	5,156	10,000	20,488
2011	3.50%	5,157	4,981	10,000	20,138
2012	3.50%	4,982	4,806	10,000	19,788
2013	3.65%	4,807	4,631	10,000	19,438
2014	3.75%	4,632	4,449	10,000	19,081
2015	3.90%	4,449	4,167	15,000	23,616
2016	4.00%	4,168	3,875	15,000	23,043
2017	4.05%	3,875	3,575	15,000	22,450
2018	4.15%	3,575	3,271	15,000	21,846
2019	4.20%	3,271	2,960	15,000	21,231
2020	4.43%	2,960	2,645	15,000	20,605
2021	4.30%	2,645	2,220	20,000	24,865
2022	4.40%	2,220	1,789	20,000	24,009
2023	4.45%	1,790	1,350	20,000	23,140
2024	4.50%	1,350	905	20,000	22,255
2025	4.50%	905	455	20,000	21,360
2026	4.55%	<u>455</u>	<u>-</u>	<u>20,000</u>	<u>20,455</u>
		<u>\$ 62,080</u>	<u>\$ 56,566</u>	<u>\$ 270,000</u>	<u>\$ 388,646</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 29, 2008

2002 Water Supply System Revenue Bonds

Issue dated 7/23/02 in the amount of \$ 1,150,000

Less: Principal paid in prior years (44,000)
Principal paid in current year (12,000)

Balance payable at February 29, 2008 \$ 1,094,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total Annual Requirement</u>
		<u>3/1</u>	<u>9/1</u>	<u>9/1</u>		
2009	4.750%	\$ 25,983	\$ 25,983	\$ 13,000	\$	64,966
2010	4.750%	25,674	25,674	13,000		64,348
2011	4.750%	25,365	25,365	14,000		64,730
2012	4.750%	25,033	25,033	15,000		65,066
2013	4.750%	24,676	24,676	15,000		64,352
2014	4.750%	24,320	24,320	16,000		64,640
2015	4.750%	23,940	23,940	17,000		64,880
2016	4.750%	23,536	23,536	18,000		65,072
2017	4.750%	23,109	23,109	19,000		65,218
2018	4.750%	22,658	22,658	19,000		64,316
2019	4.750%	22,206	22,206	20,000		64,412
2020	4.750%	21,731	21,731	21,000		64,462
2021	4.750%	21,233	21,233	22,000		64,466
2022	4.750%	20,710	20,710	23,000		64,420
2023	4.750%	20,164	20,164	24,000		64,328
2024	4.750%	19,594	19,594	26,000		65,188
2025	4.750%	18,976	18,976	27,000		64,952
2026	4.750%	18,335	18,335	28,000		64,670
2027	4.750%	17,670	17,670	29,000		64,340
2028	4.750%	16,981	16,981	31,000		64,962
2029	4.750%	16,245	16,245	32,000		64,490
2030	4.750%	15,485	15,485	34,000		64,970
2031	4.750%	14,678	14,678	35,000		64,356
2032	4.750%	13,846	13,846	37,000		64,692
2033	4.750%	12,968	12,968	39,000		64,936

continued

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 29, 2008

2002 Water Supply System Revenue Bonds, continued

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u>		<u><i>Principal Due</i></u>	<u><i>Total Annual Requirement</i></u>
		<u><i>3/1</i></u>	<u><i>9/1</i></u>	<u><i>9/1</i></u>	
2034	4.750%	12,041	12,041	41,000	65,082
2035	4.750%	11,068	11,068	43,000	65,136
2036	4.750%	10,046	10,046	45,000	65,092
2037	4.750%	8,978	8,978	47,000	64,956
2038	4.750%	7,861	7,861	49,000	64,722
2039	4.750%	6,698	6,698	51,000	64,396
2040	4.750%	5,486	5,486	54,000	64,972
2041	4.750%	4,204	4,204	56,000	64,408
2042	4.750%	2,874	2,874	59,000	64,748
2043	4.750%	1,473	1,473	62,000	64,946
		<u>\$ 585,845</u>	<u>\$ 585,845</u>	<u>\$ 1,094,000</u>	<u>\$ 2,265,690</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 29, 2008

1998 WATER REVENUE REFUNDING BONDS

Issue dated 6/1/88 in the amount of \$ 350,000

Less: Principal paid in prior years (290,000)
Principal paid in current year (30,000)

Balance payable at February 29, 2008 \$ 30,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	
2009	8.400%	\$ 1,260	\$ 1,260	\$ 30,000	\$ 32,520
		<u>\$ 1,260</u>	<u>\$ 1,260</u>	<u>\$ 30,000</u>	<u>\$ 32,520</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2007 WATER COPRECIPITATION TREATMENT SYSTEM CAPITAL IMPROVEMENT BOND

Issue dated 9/27/07 in the amount of \$ 500,000

Less: Amount not drawn yet (231,393)
Principal paid in prior years -
Principal paid in current year -

Balance payable at February 29, 2008 \$ 268,607

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>4/1</u>	
2009	2.125%	\$ 5,313	\$ 5,312	\$ 20,000	\$ 30,625
2010	2.125%	5,100	5,100	20,000	30,200
2011	2.125%	4,887	4,888	20,000	29,775
2012	2.125%	4,675	4,675	20,000	29,350
2013	2.125%	4,463	4,462	20,000	28,925
2014	2.125%	4,250	4,250	25,000	33,500
2015	2.125%	3,984	3,985	25,000	32,969
2016	2.125%	3,719	3,719	25,000	32,438
2017	2.125%	3,453	3,453	25,000	31,906
2018	2.125%	3,187	3,188	25,000	31,375
2019	2.125%	2,922	2,922	25,000	30,844
2020	2.125%	2,656	2,656	25,000	30,312
2021	2.125%	2,391	2,391	25,000	29,782
2022	2.125%	2,125	2,125	25,000	29,250
2023	2.125%	1,859	1,859	25,000	28,718
2024	2.125%	1,594	1,594	30,000	33,188
2025	2.125%	1,275	1,275	30,000	32,550
2026	2.125%	956	956	30,000	31,912
2027	2.125%	638	637	30,000	31,275
2028	2.125%	319	319	30,000	30,638
		<u>\$ 59,766</u>	<u>\$ 59,766</u>	<u>\$ 500,000</u>	<u>\$ 619,532</u>

VILLAGE OF MILLINGTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 29, 2008

2001 INSTALLMENT PURCHASE CONTRACT

Issue dated 12/04/01 in the amount of \$ 55,500

Less: Principal paid in prior years (15,000)
Principal paid in current year (3,000)

Balance payable at February 29, 2008 \$ 37,500

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>	<u>Principal Due</u>	Total
		<u>12/1</u>	<u>12/1</u>	Annual Requirement
2009	4.750%	\$ 1,781	\$ 3,000	\$ 4,781
2010	4.750%	1,639	4,000	5,639
2011	4.750%	1,449	4,000	5,449
2012	4.750%	1,259	4,000	5,259
2013	4.750%	1,069	4,000	5,069
2014	4.750%	879	4,000	4,879
2015	4.750%	689	4,500	5,189
2016	4.750%	475	5,000	5,475
2017	4.750%	<u>238</u>	<u>5,000</u>	<u>5,238</u>
		<u>\$ 9,478</u>	<u>\$ 37,500</u>	<u>\$ 46,978</u>

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2004 DOWNTOWN DEVELOPMENT LIMITED TAX BONDS

Issue dated 5/1/05 in the amount of \$ 250,000

Less: Principal paid in prior years (15,000)
Principal paid in current year (5,000)

Balance payable at February 29, 2008 \$ 230,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>12/1</u>	
2009	4.000%	\$ 5,130	\$ 5,130	\$ 10,000	\$ 20,260
2010	4.000%	4,930	4,930	10,000	19,860
2011	4.000%	4,730	4,730	10,000	19,460
2012	4.000%	4,530	4,530	10,000	19,060
2013	4.000%	4,330	4,330	10,000	18,660
2014	4.050%	4,130	4,130	10,000	18,260
2015	4.200%	3,928	3,927	10,000	17,855
2016	4.300%	3,717	3,718	15,000	22,435
2017	4.400%	3,395	3,395	15,000	21,790
2018	4.450%	3,065	3,065	15,000	21,130
2019	4.550%	2,731	2,731	15,000	20,462
2020	4.600%	2,390	2,390	20,000	24,780
2021	4.700%	1,930	1,930	20,000	23,860
2022	4.800%	1,460	1,460	20,000	22,920
2023	4.900%	980	980	20,000	21,960
2024	4.900%	<u>490</u>	<u>490</u>	<u>20,000</u>	<u>20,980</u>
		<u>\$ 51,866</u>	<u>\$ 51,866</u>	<u>\$ 230,000</u>	<u>\$ 333,732</u>

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2006 DOWNTOWN DEVELOPMENT LOAN PAYABLE

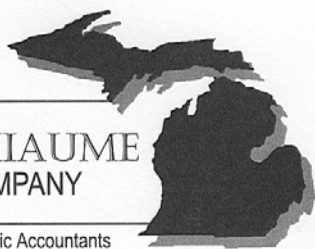
Issue dated 11/27/06 in the amount of	\$	97,945
Less: Principal paid in prior years		-
Principal paid in current year		<u>(17,995)</u>
Balance payable at February 28, 2007	\$	<u>79,950</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u> <u>11/27</u>	<u>Principal Due</u> <u>11/27</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2009	4.250%	\$ 3,407	\$ 18,751	\$ 22,158
2010	4.250%	2,601	19,557	22,158
2011	4.250%	1,770	20,388	22,158
2012	4.250%	<u>903</u>	<u>21,254</u>	<u>22,157</u>
		<u>\$ 8,681</u>	<u>\$ 79,950</u>	<u>\$ 88,631</u>

**BERTHIAUME
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of and for the year ended February 29, 2008, which collectively comprise the Village of Millington's basic financial statements and have issued our report thereon dated May 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Millington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

Recording, Processing and Summarizing Accounting Data

Criteria:	All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements.
Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.
Effect:	As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Millington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

May 15, 2008



REQUIRED COMMUNICATION TO THE VILLAGE OF MILLINGTON IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Village Council
Village of Millington

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington for the year ended February 29, 2008, and have issued our report thereon dated May 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Millington are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Village of Millington as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Millington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
May 15, 2008